

CITY COUNCIL MEETING
January 13, 1993

Special Town Hall
mtg.

BUDGET PRESENTATION FOR COMMUNITY DEVELOPMENT
DEPARTMENT

CC-21(b)

Mayor Pennino opened the meeting and read the following statement regarding public input at the "Town Hall" meetings.

"The reason for these Town Hall meetings is to acquaint the City Council and the public with every area of City government, department-by-department.

The City of Lodi--along with every other city in California--is facing significant revenue shortfalls for the next fiscal year, and these informal meetings should give everyone a better picture of what makes up the City organization and where tax monies are being spent.

These meetings are NOT intended to be public opportunities for complaints and mean-spirited comments, nor will any such remarks be tolerated.

The public is invited--and encouraged--to participate in any discussions.

Specifically, the public is invited to tell the City Council:

1. What City services do you (the public) feel could be reduced or eliminated?
2. What ideas do you have for making the City more efficient?
3. What City services are you willing to pay more for in order to maintain them?
4. What City services are you UNWILLING to see cut, no matter what?

It cannot be over-emphasized that the City of Lodi is facing a real budgetary crisis. It is reasonable to assume that some jobs will be lost and some City services will be cut or eliminated altogether.

Since no one has a corner on the market for ideas, the City seeks a partnership with the public to work together in resolving this financial crisis in a positive and professional manner."

Following introduction by the City Manager, Community Development Director Schroeder presented his report to the City Council. Mr. Schroeder introduced members of the Planning and Building staff and members of both the Planning Commission and the Site Plan and Architectural Review Committee who were in attendance at the meeting.

CITY COUNCIL MEETING
January 13, 1993

The Mayor opened the meeting to the public. Speaking on the matter were:

- a) Virginia Lahr, 311 East Elm Street, Lodi;
- b) Larry Mindt, on behalf of the Planning Commission; and
- c) Leonard Bull, on behalf of the Site Plan and Architectural Review Committee.

PUBLIC INPUT

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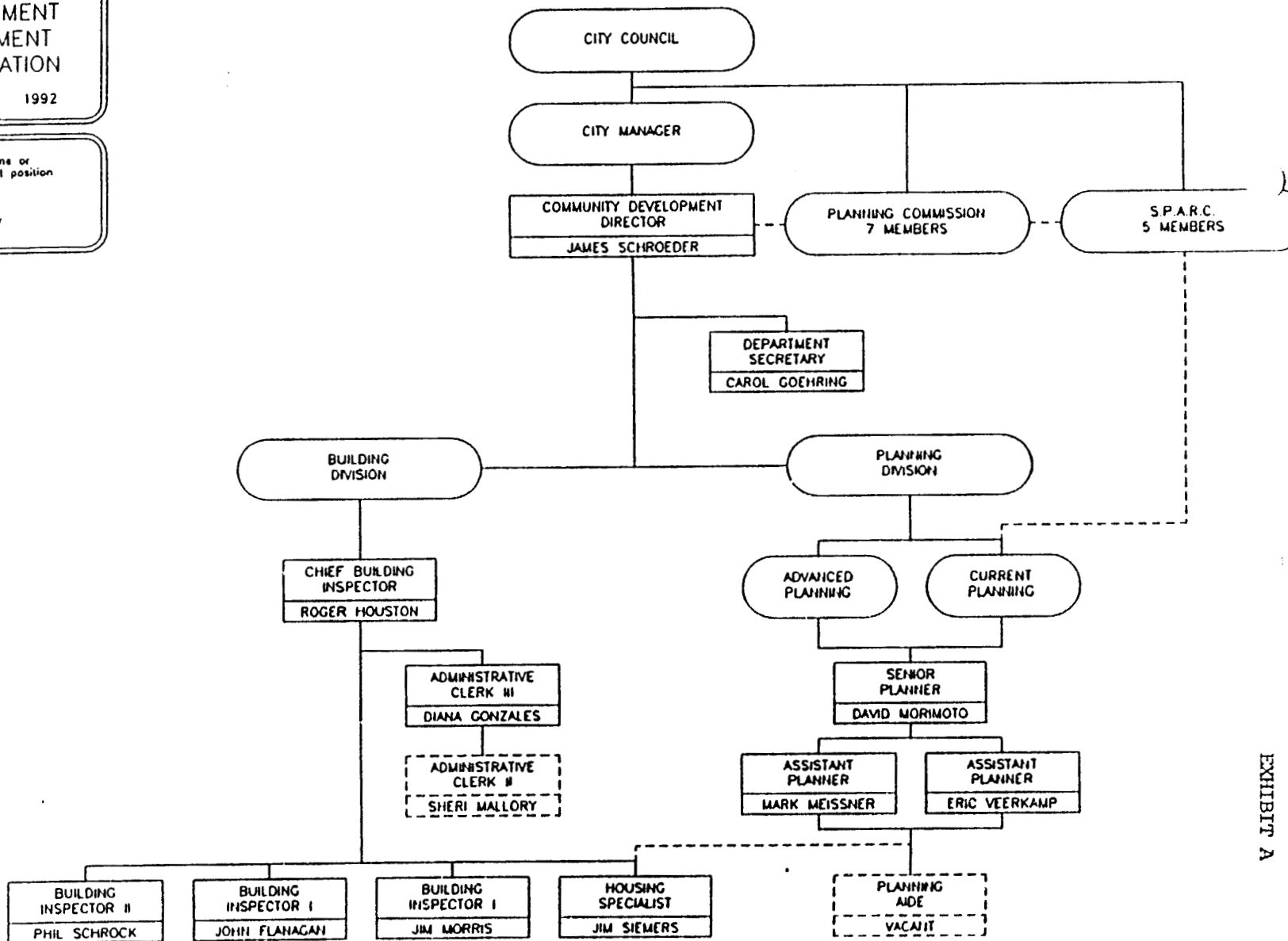
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COMMUNITY DEVELOPMENT DEPARTMENT ORGANIZATION

June 1992

Part time or contract position
Advisory



STAFFING

Planning

1987

Community Development Director
Associate Planner
Associate Planner
Assistant Planner (CDBG)
Draftsperson - Part-time
Departmental Secretary

1993

Community Development Director
Senior Planner
Assistant Planner
Assistant Planner (CDBG)

Departmental Secretary

Building Inspection

Chief Building Inspector
Building Inspector II
Building Inspector I
Building Inspector I
Administrative Clerk
Administrative Clerk - Part-time

Chief Building Inspector
Senior Building Inspector
Building Inspector II
Building Inspector II
Housing Inspector (CDBG)
Administrative Clerk
Administrative Clerk - Part-time
Administrative Clerk Part-time CDBG

Approved Budgets

	Planning	Building Inspection	Grant Administration
1988-89	\$211,300.00	\$252,870.00	\$75,135.00
1989-90	\$227,985.00	\$262,160.00	\$70,940.00
1990-91	\$254,575.00	\$324,290.00	\$50,225.00
1991-92	\$258,245.00	\$340,935.00	\$52,660.00
1992-93	\$322,390.00	\$406,280.00	\$21,880.00

SERVICES

A. Planning Administration

1. Staff for Planning Commission
2. Staff for Site Plan and Architectural Review Committee (SPARC)
3. Zoning Administration
 - a. Approve Home Occupation Permits
 - b. Process Variance and Use Permit applications
 - c. Process Rezoning applications
 - d. Code Enforcement
4. General Plan Administration
 - a. General Plan Amendments by private party, City Council or Planning Commission
 - b. General Plan Updates to match court decisions and state mandates
5. Tentative Subdivision and Parcel Map processing from application through Planning Commission action
6. Process annexations from inception through Local Agency Formation Commission.
7. Flood Plain zoning management
8. Administer growth management program from application through City Council.
9. Respond to a wide variety of planning and related questions from the public, real estate and financial community.
10. Administer the City's Community Block Grant Program,
11. Coordinate the review and processing of building permit applications with other City departments.
12. Administer the environmental review process (CEQA) for the City. Provide environmental documents, i.e. EIRs or Negative Declarations, for both private and City projects. Assure compliance with CEQA.

SERVICES AND DUTIES OF THE BUILDING INSPECTION DIVISION

1. The Building Inspection Division is charged with the enforcement of the following codes:
 - A. Uniform Building Code
 - B. Uniform Mechanical Code
 - C. Uniform Plumbing Code
 - D. Uniform Housing Code
 - E. National Electrical Code
 - F. Uniform Code for the Abatement of Hazardous Buildings
 - G. Lodi Municipal Code
 - H. State and Federal Handicap Regulations.
2. Services provided by the Division:
 - A. Verify validity of contractors license and insurance information.
 - B. Plan check building plans for compliance with all Codes, State laws, and City ordinances.
 - C. Issue building permits.
 - D. Make required inspection of every phase of work.
 - E. Make final inspection and issue a Certificate of Occupancy.
 - F. Coordinate plan check and final inspection with all other City departments.
 - G. Maintain permanent records of building permits issued, inspections made, building plans and calculations.
 - H. Respond to inquiries from architects, engineers, developers and citizens concerning technical and Code data.
 - I. Provide special inspection services to potential buyers of residential and commercial property.
 - J. Provide documents and expert witness services to the courts.
 - K. Respond to complaints concerning:
 1. Substandard housing
 2. Dangerous buildings
 3. Work being performed without issuance of a permit
 4. Noise
 5. Property maintenance under Ordinance #1528--Ugly Ordinance
 6. Abandoned autos (97 autos were abated last year)
 7. Hazardous and illegal occupancy of commercial buildings.

NEW SERVICE DELIVERY

1. Growth Management Program
2. "Ugly" Ordinance Administration
3. Noise Ordinance
4. Special Inspections, Realtors, etc. (These are paid by applicant)

MEMORANDUM, City of Lodi, Community Development Department

TO: Permit Processing Review Committee
FROM: Roger G. Houston, Chief Building Inspector
DATE: January 11, 1993
SUBJECT: Contract companies

The following are companies presently providing contract services to the Building Inspection Division.

1. WILLDAN ASSOCIATES - structural plan check services on plans submitted by licensed engineers.
2. LINHART PETERSEN POWERS ASSOCIATES - structural plan check services on plans submitted by licensed engineers.
3. KEHOE SOFTWARE CONSULTING - systems analyst and computer programmer for the computerized building permit issuance program.
4. PACIFIC MANAGEMENT DYNAMICS - maintains the currency of license and insurance information in the contractors database.

PLANNING SERVICES - CONTRACTED

1. Environmental Impact Preparation - Use Contractor from list -
Choose one mutually agreeable to applicant and City.
 - a. Jones and Stokes Associates
 - b. EIP Associates
 - c. Krienes and Kreines
 - d. Michael Paoli and Associates
2. General Plan Update and Eastside Downzoning were contracted to
Jones and Stokes.

MEMORANDUM, City of Lodi, Community Development Department

TO: CITY MANAGER
FROM: COMMUNITY DEVELOPMENT DIRECTOR
DATE: JANUARY 13, 1993
SUBJECT: BUDGET REDUCTIONS

Introduction The City Manager has asked that each department head present ways to reduce the departmental budget. The Community Development presentation is in three tiers. The first tier is for items to be cut that will not affect our operations. Tier II includes items that we need but will do without. The final tier will require reduction in services.

Tier I

Eliminate all conference expenses.

The savings are as follows:

	<u>Budget</u>	<u>Less</u>	<u>Remainder</u>
Planning Administration (315)	\$14,649	\$14,649	\$ 0
Building Inspection (315)	2,070	2,070	0
Total Savings		<u>\$16,719</u>	

Reduce the amount budgeted for Business Expense in Planning Administration only. The Building Inspection amount is very small and is used for local professional organizations and networking.

	<u>Budget</u>	<u>Less</u>	<u>Remainder</u>
Planning Administration (314)	\$ 2,040	\$ 840	\$1,200
Total Savings		<u>\$ 840</u>	
Grand Total Savings Tier I		<u>\$17,559</u>	

Tier II

Eliminate all training from Planning Administration and reduce training in Building Inspection.

	<u>Budget</u>	<u>Less</u>	<u>Remainder</u>
Planning Administration (358)	\$ 816	\$ 816	\$ 0
Building Inspection (358)	10,156	4,680	5,476
Total Savings		<u>\$ 5,496</u>	

Reduce the amount of overtime in Building Inspection by one-half. This could be counter productive because much overtime is used for in-house plan checking.

	<u>Budget</u>	<u>Less</u>	<u>Remainder</u>
Building Inspection (101)	\$15,240	\$ 7,600	\$ 7,600
Total Savings		<u>\$ 7,600</u>	

It is difficult to reduce overtime beyond this point because of early a.m. or late p.m. inspections, call-outs, etc.

Reduce the professional services budget in Planning Administration.

	<u>Budget</u>	<u>Less</u>	<u>Remainder</u>
Planning Administration (323)	\$10,000	\$ 7,500	\$2,500
Total Savings		<u>\$ 7,500</u>	
Grand Total Savings Tier II		<u>\$20,596</u>	
Total Tier I and Tier II		<u>\$38,155</u>	

City Manager
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Tier III

Eliminate the remaining funds in Training and Education in Building Inspection and Professional Services in Planning Administration.

	<u>Budget</u>	<u>Less</u>	<u>Remainder</u>
Planning Administration (358)	\$ 5,476	\$ 5,476	\$ 0
Building Inspection (358)	2,500	2,500	0
Total Savings		<u>\$ 7,976</u>	
Total Savings Tier I, II and III		<u><u>\$46,131</u></u>	

Any savings beyond this point will require the reductions in the 100 Series. This could require total elimination of overtime and part-time help. Either or both of these will cripple the Building Inspection and Code Enforcement functions of the department. At a time when we are attempting to improve our permit processing procedures, any staff or overtime reductions will make the situation worse.

SECTION II

PLANNING

The Planning Department is responsible for guiding the overall development within the City of Lodi through private project review and approvals and to promote efforts to improve economic vitality. The department incorporates both current and long range planning activities.

DMG focused our analysis on the current planning section of the department. Current planning has the primary responsibility of reviewing development projects to ensure conformity with all City plans and ordinances. Most all user fees are contained in this section. Advance planning is primarily responsible for long-range planning which provides the City the opportunity to control its future character.

Total user fee costs, including all indirect (support) costs, are \$143,215. Current revenue, based on normal volume and existing fees, is \$5,850. The total general fund subsidy to user fee activities is therefore, \$137,365 or 96%.

The study identified and assigned costs to 17 fee or program areas, plus 3 non fee areas (Community Development Block Grant, long range planning, and public service - counter support).

ECONOMIC AND POLICY CONSIDERATIONS

1. Subsidy - Typically, there are three major subsidy areas in the planning process. The first is general plan maintenance and other future planning. Long range planning activities (including transportation planning) are community-based, and impact all local residents. Preparing and maintaining the City's general plan serves to protect and enhance the community. DMG's experience suggests that the City should not implement fees for this activity. Most communities subsidize this activity from the general fund rather than spreading these costs over current planning activities.

A second major subsidy area involves special projects. These projects may be initiated for the Redevelopment Agency or special districts. Although current planning may benefit from such activity, related costs are generally not recovered through fees.

The third subsidized activity is general economic development. Activities promoting the local economy benefit all local residents, and usually are general fund supported.

2. **Economic Incentives** - Fees can be structured to provide incentives or disincentives. Incentive fee setting is the setting of fees substantially lower than full costs to encourage growth. Conversely, fees may be raised to full cost to discourage growth. However, our experience has been that the impact of fees on land use activity is not as dramatic as in areas such as recreation. For most real estate development projects, planning fees are too small a portion of total project costs to have any effect.

3. **Elasticity** - Planning fees tend to be relatively inelastic and thus can be raised with the anticipation that revenue will increase. Typically, planning applications are submitted by individuals seeking special consideration for their real property, expecting a personal benefit or profit. As an example, a developer proposes to subdivide a property. Without appropriate planning approvals, the project cannot go forward and the land remains unused. The developer's objectives generally will require paying whatever fee is established, up to the break-even point. The fee will be absorbed in the eventual price of the project, or result in lower profits, or a combination of both.

The above observation does not preclude the fact that extremely high fees may cause a decline in unit volume, as smaller projects become less feasible economically. In practice, however, net revenue generated through fee increases significantly offsets potential unit reduction.

4. **Competition** - As an exercise of local authority to regulate land use, there is no direct competition that would inhibit setting fees at any desired level. There may be some competitive restraint vis-a-vis fees from neighboring communities. Inasmuch as planning fees are generally low in comparison to the final costs of development projects, however, the impact of higher fees on limiting development is not significant.

ANALYSIS AND RECOMMENDATIONS

DMG has worked closely with the department's managers and staff to develop an analysis which accurately assesses the current level of service, current costs, and current subsidies. DMG suggests an aggressive approach to setting fees for planning activities because this is an area where services clearly benefit individuals. As financial analysts we tend to be aggressive for land development related services. It is evident that current development fees are far below cost and there is ample opportunity for increased cost recovery from applicants. We recommend that fees recover the full cost of services for land development activities, any commercial or industrial applications, and other current planning activities.

We have proposed several new fees. The services for these activities are currently being provided free of charge. The recommended fees are totally consistent with the fee schedules of all our other clients. The new fee revenue will provide the City with \$129,125 in income.

The graph and summary charts that follow display all relevant financial data for each fee (and non-fee) activity within the Planning department. The first chart summarizes total revenues at current, full cost, and recommended levels. The second chart displays per-unit service costs, current fees, and our recommendations.

User Fee Study Summary Sheet

PLANNING	Per Unit Information							
	UNIT VOLUME	CURRENT FEE	60% OF FULL COST	80% OF FULL COST	100% OF FULL COST	CURRENT SUBSIDY	RECOMMENDED FEE	SUBSIDY @ RECOM FEE
1 ANNEXATION	6	\$100.00	\$1,190.50	\$1,587.34	\$1,984.17	\$1,884.17	\$2,000.00	(\$15.83)
2 DEV PLAN REVIEW	10	0.00	980.76	1,307.68	1,634.60	1,634.60	1,650.00	(15.40)
3 GENERAL PLAN AMEND	6	100.00	654.10	872.14	1,090.17	990.17	1,100.00	(9.83)
4 REZONE/PREZONE	11	100.00	365.13	486.84	608.55	508.55	650.00	(41.45)
5 LOT LINE ADJUSTMENT	22	0.00	102.87	137.16	171.45	171.45	175.00	(3.55)
6 PARCEL MAP	23	0.00	173.90	231.86	289.83	289.83	300.00	(10.17)
7 TENTATIVE SUB MAP	13	100.00	321.69	428.92	536.15	436.15	550.00	(13.85)
8 PRELIM ENV ASSESSMNT	75	0.00	27.86	37.14	46.43	46.43	50.00	(3.57)
9 NEGATIVE DECLARATION	20	50.00	366.96	489.28	611.60	561.60	600.00	11.60
10 EIR	3	0.00	1,345.60	1,794.14	2,242.67	2,242.67	2,200.00	42.67
11 MITIGATION MONITORING	15	0.00	349.00	465.34	581.67	581.67	0.00	581.67
12 DES REVIEW - SPARC	19	0.00	524.72	699.62	874.53	874.53	875.00	(0.47)
13 LANDSCAPE PLAN REVIEW	20	0.00	112.66	150.48	188.10	188.10	175.00	13.10
14 USE PERMIT	15	50.00	302.08	402.76	503.47	453.47	500.00	3.47
15 VARIANCE	20	25.00	208.38	277.84	347.30	322.30	350.00	(2.70)
16 HOME OCC PERMIT	294	0.00	13.57	18.10	22.62	22.62	25.00	(2.38)
17 ZONING - PLAN CHECK	700	0.00	9.97	13.29	16.61	16.61	15.00	1.61
18 CDBG ADMIN	1		25,453.20	33,937.60	42,422.00	42,422.00		42,422.00
19 LONG RANGE PLANNING	1		6,181.20	8,241.60	10,302.00	10,302.00		10,302.00
20 PUBLIC SVCS COUNTER	1		22,516.80	30,022.40	37,528.00	37,528.00		37,528.00

SECTION IV

BUILDING INSPECTION

The Building Inspection program is responsible for plan checking and inspection services for new and existing remodeled construction. The Building division coordinates all plan reviews for all departments involved in the regulation of private development activities. Total costs of the division, including all support services from other departments, are \$395,401. Total revenues equal \$366,634 leaving a general fund subsidy of \$28,767 or 7.2%.

ECONOMIC AND POLICY CONSIDERATIONS

1. Elasticity - Building inspection fees tend to be extremely inelastic. Construction projects cannot be started or completed without the appropriate approvals. Applicants have already extended funds for plans, designs, consultants, etc. (not to mention getting Planning department approval), and will pay the going rate.
2. Subsidy - In our experience, cities do not consciously subsidize building regulation activities. In fact, many building regulation departments have experienced a fee revenue surplus over the past few years due to heightened construction volume.

The nature of the activity, however, is that revenue is generally received before all expenses are incurred. A true revenue/expense balance is difficult to assess. When a "temporary" surplus has occurred, we recommend that no immediate action be taken until a valid trend can be determined. At the extreme, excess revenues could be placed in a special fund for the next economic downturn. If, for whatever reasons, revenues continue to exceed costs, fees should be lowered. In fiscal year 1990/91, Lodi's building revenue did not exceed cost.

3. Economic Incentives - Building regulation fees can be set lower than full, or even direct, cost to encourage growth, or raised to full cost to discourage growth.
4. Competition - As an extension of a community's development responsibility, there is no direct competition within the jurisdiction that would inhibit the setting of fees to whatever level is desired.

ANALYSIS AND RECOMMENDATIONS

The Building division is currently collecting 7% less revenue than it is expending on services. The subsidy, or "loss," results from citywide overhead and other departmental support costs.

City staff feels that the division is currently under-charging for most permit and plan check activities. Currently, the Building division is using the 1988 Uniform Building Code. However, in July of this year the State will adopt the new 1991 UBC and this division should begin charging on this basis. This may eliminate some of the subsidy currently experienced by this department. However, if the City desires a 100% recovery level there may be the necessity of raising or implementing fees even after the adoption of the updated Uniform Building Code.

It is recommended that the following fees developed in other departments be added to the building permits and collected in the issuance procedure:

Certification of Occupancy	\$35
Fire Sprinkler Plans	\$50
Fire Sprinkler hydro	\$35
Hood and Ducts	\$45

The additional revenue to the City would be \$5,895: however, the revenue is included in other sections of the report.

User Fee Study Summary Sheet

BUILDING INSPECTION	Total Program Information							
	REVENUE @	REVENUE @ 60% OF	REVENUE @ 80% OF	REVENUE @ 100% OF	CURRENT	REVENUE @	REMAINING	INCREASED
	CURRENT FEE	FULL COST	FULL COST	FULL COST	SUBSIDY	RECOM FEE	SUBSIDY @	REVENUE @
						RECOM FEE	RECOM FEE	RECOM FEE
1 BUILDING INSPECTION	\$366,634	\$237,241	\$316,321	\$395,401	\$28,767	\$395,401	\$0	\$28,767

Department Totals	\$366,634	\$237,241	\$316,321	\$395,401	\$28,767	\$395,401	\$0	\$28,767
% of Full Cost	92.72%	60.00%	80.00%	100.00%	7.28%	100.00%	0.00%	7.28%
User Fee Totals	\$366,634	\$237,241	\$316,321	\$395,401	\$28,767	\$395,401	\$0	\$28,767
% of User Fee Cost	92.72%	60.00%	80.00%	100.00%	7.28%	100.00%	0.00%	7.28%

Note: At recommended fees, total revenue will increase by: 9.00%